MACEDONIA

INVESTMENT CLIMATE STATEMENT

2016

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Executive Summary

Macedonia's government welcomes and seeks out foreign investors. Multiple ministers and agencies lead investment roadshows and promote Macedonia as an investment destination. Many new investments are auto parts companies attracted by Macedonia's relatively cheap labor and proximity to European car manufacturers.

Macedonia's legal framework for foreign investors is generally in line with international standards. However, companies complain of selective law enforcement, punitive inspections, and draconian fines. Laws governing business activity are frequently changed, often without consultation with the business community, and the legal changes retroactively applied. The judicial system is slow and many investors and citizens of Macedonia believe it to be politicized. Corruption is widespread and largely goes unpunished.

Large foreign investors operating in the Technological Industrial Development Zones (TIDZ) generally report good access to government officials. However, bureaucracy and lack of communication and capacity within the government frustrate smaller investors.

Foreign investors also report that it can be challenging to secure visas and work permits for foreign managers, employees, and their family members.

Macedonia generally has been free from political violence for the past decade. However, interethnic and inter-religious tensions remain and are often aggravated by political rhetoric.

Foreign investment has continued despite a protracted political dispute between the ruling party and opposition since February 2015. Anti-western statements in government-aligned media increased during this period.

The 2016 World Bank's Doing Business Report ranked Macedonia the 12th best place in the world for doing business, up 18 spots. Fitch reaffirmed Macedonia's BB+ credit rating, and S&P reaffirmed its credit rating of the country at BB- with stable outlook. Transparency International ranked Macedonia 66th out of 175 countries in its perceptions of corruption index, down two spots from a year ago.

Table 1

Measure	Year	Index or Rank	Website Address
TI Corruption Perceptions index	2015	66 of 175	transparency.org/cpi2015/#results-table
World Bank's Doing Business Report "Ease of Doing Business"	2016	12 of 189	doingbusiness.org/rankings

Global Innovation Index	2015	56 of 141	globalinnovationindex.org/content.aspx?page=data-analysis
U.S. FDI in partner country ($M USD)	2015	6.1	nbrm.mk/?ItemID=44C9251D2237394A9EF8E2155AE6F121
World Bank GNI per capita	2014	USD 5,150	data.worldbank.org/indicator/NY.GNP.PCAP.CD

1. Openness To, and Restrictions Upon, Foreign Investment

Attitude toward Foreign Direct Investment

As a small, open economy, Macedonia is heavily dependent on foreign direct investment (FDI) for job and export growth, and therefore continues to actively seek foreign investors who can provide jobs. The country has enacted legislation that not only provides roughly equal footing for foreign investors as compared to their domestic counterparts, but that also provides numerous incentives, such as tax breaks and subsidies, to attract foreign investment. Government incentive packages for foreign investors are not fully disclosed to Parliament or the public. Macedonia consistently provides national treatment to foreign investors, and many citizens believe that large foreign investors receive better treatment than domestic companies. The country has concluded a number of bilateral investment protection treaties, but none with the United States. Macedonia has adopted other multilateral conventions that impose stricter standards of protection for foreign investors.

Macedonia does not have any regulatory or defensive measures directed against foreign investment. Similarly, there are no private or government efforts directed toward the restriction of foreign investment and participation in or control of domestic enterprises, consortia, or industrial organizations. On the contrary, since 2007 Macedonia has run an expansive campaign to attract foreign investors. This campaign includes the promotion of Macedonia in many of the world's leading newspapers, magazines, TV stations, and frequent government-led roadshows. In addition, after the 2014 early parliamentary elections, the number of ministers tasked exclusively with attracting foreign investments increased from three to five. The government agency Invest Macedonia also markets the country to foreign investors, serving as the main point of contact for operational matters and follow-up with investors. Invest Macedonia has about 25 resident economic promoters in foreign countries. Macedonia is in the process of harmonizing its legal and regulatory systems with international, primarily European Union (EU), standards.

The global economic crisis and the euro zone debt crisis caused a significant slowdown in FDI, which fell from USD 463 million in 2011 to USD 132 million in 2012, mainly due to the outflow of profits of foreign-owned companies and intercompany loans. However, in 2013 FDI surged to USD 334.7 million as the global economy recovered and rose to USD 349.1 million in 2014. The increase in FDI was primarily due to some new foreign investments in the TIDZ and additional investments by existing foreign investors. However, in 2015 FDI slowed to USD 178 million, possibly due to internal political turmoil. The largest FDIs in recent years were in the automotive parts industry. Activities in the TIDZ accounted for most of the increase of the country's foreign trade, both on the export and the import side. Although the global economic crisis undoubtedly played a role in limiting funds available for investment, corruption, rule of law concerns, and stalled Euro-Atlantic integration have also limited Macedonia's ability to attract more investment. By most indicators, Macedonia ranks at the bottom in the Balkan region in receiving FDI. FDI accounted for only 1.8 percent of GDP in 2015, 1.3 percentage points less than in 2014.

Other Investment Policy Reviews

The World Trade Organization (WTO) in November 2013 did the first, and so far the only, review of the trade policies and practices of Macedonia. The reports of the WTO Secretariat and Macedonia's government are available at the following website: https://www.wto.org/english/tratop_e/tpr_e/tp390_e.htm. There is no OECD investment policy review available on Macedonia. The most recent UNCTAD investment policy review on Macedonia, from March 2012, is available at the following website: http://unctad.org/en/PublicationsLibrary/diaepcb2011d3_en.pdf. In 2015, the government hired a consultant company to assess its strategy for attracting FDI in response to increased public criticism of concessions to foreign investors and doubts about the net benefits of these FDIs to the economy. It is unknown if or when that consultant's study will be published.

Laws/Regulations on Foreign Direct Investment

The Constitution of the Republic of Macedonia guarantees equal position for all entities in the market and provides for free transfer and repatriation of investment capital and profits for foreign investors. Under Macedonian law, foreign and domestic investors have equal opportunity to participate in the privatization of remaining state-owned assets. There is no single law regulating foreign investments. Rather, the legal framework is comprised of several laws including: the Trade Companies Law; the Securities Law; the Profit Tax Law; the Customs Law; the Value Added Tax (VAT) Law; the Law on Trade; the Law on Acquiring Shareholding Companies; the Foreign Exchange Operations Law; the Payment Operations Law; the Law on Foreign Loan Relations; the Law on Privatization of State-owned Capital; the Law on Investment Funds; the Banking Law; the Labor Law; and the Law on Financial Disciplin e. Laws governing business activity are frequently changed, often without consultation with the business community, and the legal changes retroactively applied.

The Trade Companies Law

This is the primary law regulating business activity in Macedonia (http://www.mse.mk/Repository/UserFiles/File/Misev/Regulativa/Zakoni%20ENG/LL_CG_TradeCompanies_Dec_2004_E.pdf). It defines the types of companies allowed to operate in

Macedonia, as well as procedures and regulations for their establishment and operation. All foreign investors are granted national treatment, and are entitled to establish and operate all types of private and joint-stock companies. Foreign investors are not required to obtain special permission from state-authorized institutions other than what is customarily required by law.

Law on Privatization of State-owned Capital

Foreign investors are guaranteed equal rights with domestic investors when bidding on shares of companies owned by the government. There are no legal impediments to foreign investors participating in the privatization process of domestic companies.

Foreign Loan Relations Law

This law regulates the credit relations of domestic entities with those abroad. Specifically, it regulates the terms by which foreign investors can convert their claims into deposits, shares, or equity investments with the debtor or bank. The Foreign Loan Relations Law also enables rescheduled debt to be converted into foreign investment in certain sectors or in secondary capital markets.

Law on Investment Funds

A revised Law on Investment Funds was adopted in 2009. The new law governs the conditions for incorporation of investment funds and investment fund management companies, the manner and supervisory control of their operations, and the process of selecting a depository bank. The law does not discriminate against foreign investors in establishing open-ended or closed investment funds.

Law on Takeover of Shareholding Companies

This law regulates the conditions and procedures for purchasing more than 25 percent of the voting shares of a company. The company must be listed on an official stock market, have at least 25 employees, and have initial capital of EUR 2 million. This law does not apply to shares in companies owned by the Republic of Macedonia.

Law on Foreign Exchange Operations

This law establishes the terms for further liberalization of capital transactions. It regulates current and capital transactions between residents and non-residents, transfers of funds across borders, as well as all foreign exchange operations. All current transactions (e.g., all transactions that are eventually registered in the current account of the balance of payments, such as trade and private transfers) of foreign entities are allowed. There are no specific restrictions for non-residents wishing to invest in Macedonia. Foreign investors may repatriate both profits and funds acquired by selling shares after paying regular taxes and social contributions. In case of expropriation, foreign investors have the right to choose their preferred form of reimbursement. Since 2008, foreign nationals have been permitted to own land in Macedonia, and may invest in or own fixed assets and real estate. Foreign investors may also establish companies of any kind.

Profit Tax Law

The corporate profit tax rate is 10 percent. At the beginning of 2006, the government amended the Profit Tax Law and introduced a withholding tax on income of foreign legal entities. The withholding tax is applied to income from dividends, interest, management consulting, financial, technical, administrative, research, and development services, leasing of assets, awards, insurance premiums, telecommunication services, author fees, and sports and entertainment activities. Income from all of these activities is subject to a 15 percent withholding tax rate, except for income from interest and rent proceeds from the leasing of real estate, which are taxed at a 10 percent rate. This withholding tax does not apply to legal entities from countries that have signed an agreement to avoid double taxation with Macedonia. The United States does not have such an agreement with Macedonia.

Labor Law

All employments are regulated by this law and collective agreements signed between unions and employers. The Labor Law (http://www.lexadin.nl/wlg/legis/nofr/eur/arch/mac/laborlaw.pdf) regulates the implementation of rights, obligations, and responsibilities of the employee and employer pertaining to employment. A General Collective Agreement clarifies and often enhances the basic rights and benefits provided for in the Labor Law. In addition, there are collective agreements applicable in some industries or sectors, which further specify relations between employers and employees in those industries.

Law on Financial Discipline

Effective from May 1, 2014, this law aims at regulating timely payment of liabilities between private sector legal entities, and liabilities stemming from business relations between private sector and public sector legal entities (http://www.finance.gov.mk/files/u11/Zakon%20za%20finansiska%20disciplina_precisten_januari_2015.pdf). According to the legislation, private entities must settle payment liabilities within 60 days, and by exception only within 120 days of the day when the liability occurred. Failure to comply with the provisions of the law envisages high fines both for legal entities and for the responsible person. Application of the law for public health institutions, public companies, state-owned companies, companies owned by local governments, and other public sector institutions started from January 1, 2016. Late payments by state entities to the private sector have contributed significantly to liquidity problems in the country.

Business registration

All legal entities in the country must register with the Central Registry of Macedonia (CRM). Foreign businesses may register a limited liability company, single-member limited liability company, joint venture, joint stock company, as well as branches and representative offices. Macedonia introduced a one-stop-shop system that enables investors to register their businesses within a day, by visiting one office, obtaining the information from a single place, and addressing one employee. In addition, all investors may register a company online using the secure system for electronic registration of all types of businesses in the Trade Registry and the Registry of Other Legal Entities, available at the following website: http://e-submit.crm.com.mk/eFiling/en/home.aspx. Applications must be submitted by an authorized registration agent.

In addition to the registration of all business activities as stipulated by the Trade Companies Law, some business activities must obtain additional working licenses or permits before starting their operations. For those, the registration process is followed by a licensing process with the relevant authorities covering the matter of licenses and/or permits. More information on business registration documentation and procedures is available at the CRM's website: http://www.crm.com.mk.

Invest Macedonia is the primary government institution in charge of facilitating foreign investments in the country, and its services are available to all interested investors. In addition, Invest Macedonia promotes Macedonian companies in foreign markets to help them increase their exports. More information on their services is available at http://www.investinmacedonia.com.

Since 2004, Macedonia has accepted the EU Commission's definition of micro, small and medium-sized enterprises (SMEs), which is based on three criteria: number of employees, turnover volume, and total assets. Macedonia has kept the same classification by number of employees but adjusted the other two parameters. By number of employees, companies with fewer than 10 are considered micro, companies between 11 and 50 are considered small, and companies between 51 and 250 employees are considered medium-sized. The government does not directly provide any special services or preferences to facilitate investment and business operations by micro and SMEs. However, it provides subsidies to foreign credit lines through the state-owned Macedonian Bank for Development Promotion to assist in the development of micro and SMEs.

Industrial Strategy

Invest Macedonia's 25 economic promoters residing in key markets in the world disseminate information about investment opportunities in the country directly to targeted investors. Public information about investment opportunities in the country are disseminated via paid commercials in leading business newspapers, magazines, and TV channels. Government ministers in charge of attracting investors also disseminate information during road-shows to targeted markets. Invest Macedonia lists at its website (http://www.investinmacedonia.com) key sectors for investment opportunities: automotive components, information and communication technology, agribusiness, food processing, textiles, apparel, electronics, and pharmaceuticals.

Limits on Foreign Control and Right to Private Ownership and Establishment

Foreign investors are allowed to invest directly in all industry and business sectors except those limited by law. Investment in the production of weaponry and narcotics is subject to government approval. Investors in some sectors such as banking, financial services, and insurance must meet certain licensing requirements that apply equally to both domestic and foreign investors.

Foreign investment may be in the form of money, equipment, or raw materials. According to the law, foreign investors have the right to receive the full value of their investment in the case of nationalization, a provision that does not apply to national investors.

Privatization Program

The privatization process is governed by the Law on Transformation of Enterprises with Social Capital (Official Gazette 38/93) and the Law on Privatization of State-owned Capital (Official Gazette 37/96). To finalize the privatization of remaining loss-making and bankrupt state companies, the government offered large discounts on the nominal value of the shares and did not impose employment and investment requirements. The telecom company Makedonski Telekom is the largest state-owned entity privatized to date.

Macedonia's privatization process is almost complete and private capital is dominant in the market. The government is trying to sell four remaining loss-making companies through international tenders. Foreign investors are allowed to participate in privatization through a public bidding process. There are about 15 state-owned companies, primarily public utilities. There are also public utility companies at the local level, which are governed by local governments. Neither the central government nor any local government has announced plans to sell shares in any of them.

Screening of FDI

The government institution in charge of attracting new foreign investments in country - Invest Macedonia - does the screening and due diligence review of foreign direct investments in a non-public procedure. Final approval of investment incentive packages is usually made by the government. So far U.S. businesses have not commented or complained that the screening mechanism was a barrier to investment. The main purpose of the screening mechanism is to ensure economic benefit for the country and national security. This screening process does not appear to disadvantage foreign investors. Details of the review are not shared publicly. More details regarding the review process including information on necessary documents for the screening process are available directly from Invest Macedonia or at website http://www.investinmacedonia.com.

Competition Law

The Commission for Protection of Competition (http://www.kzk.gov.mk/eng/aboutus_C.asp) is responsible for enforcing the Law on Protection of Competition, adopted in January 2005 (Official Gazette of the Republic of Macedonia No. 04/05). The basic competencies of the Commission for Protection of Competition include controlling proper implementation of the provisions stipulated in the Law on Protection of Competition, monitoring and analyzing the market conditions to the extent necessary for the development of free and efficient competition, initiating procedures in cases of law violations, and making decisions according to the provisions of the Law. The Commission is established as an independent body with the status of a legal entity, independent in its operations and decision making process within the authorities provided by the Law. The Commission consists of a President and four members appointed by the Parliament for a five-year mandate, with the right to reappointment. The Commission has not been very active, as there have not been major accusations of competition violations in the domestic market. Most recently, the Commission was involved in assessing the market concentration in the case of the intended merger between two big mobile operators in the domestic market, the Austrian-owned VIP with the Slovenian-owned One.

2. Conversion and Transfer Policies

Foreign Exchange

Macedonia's national currency, the Denar (MKD), is convertible domestically, but is not convertible on foreign exchange markets. Conversion of most foreign currencies is possible on the official foreign exchange market. In addition to banks and savings houses, numerous authorized exchange offices also provide exchange services. The National Bank of the Republic of Macedonia operates the foreign exchange market, but participates on an equal basis with other entities. Required foreign currency reserves are spelled out in the banking law. There are no restrictions on the purchase of foreign currency by residents.

Parallel foreign exchange markets do not exist in Macedonia, largely due to the long-term stability of the Denar. The National Bank of the Republic of Macedonia has successfully pegged the Denar to the Euro and has kept inflation low. The country does not engage in currency manipulation.

Remittance Policies

The Constitution of Macedonia guarantees the free transfer and repatriation of investment capital and profits. By law, foreign investors are entitled to transfer profits and income without being subject to a transfer tax. Investment returns are generally remitted within three working days.

There are no legal limitations on private financial transfers from and to Macedonia. In fact, remittances are widely used by Macedonia’s diaspora, and they represent a significant source of income for households. To a much lesser extent, remittances go out of Macedonia. In 2015 net private transfers amounted to USD 1.7 billion, accounting for 16.8 percent of GDP.

Macedonia is a member of the Council of Europe Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism (MONEYVAL), a FATF-style regional body. Its most recent evaluation can be found at http://www.coe.int/t/dghl/monitoring/moneyval/Countries/MK_en.asp.

3. Expropriation and Compensation

The Republic of Macedonia has not adopted any new legislation on expropriation. There is no tendency by the government authorities to discriminate against U.S. investors. According to the Constitution of Macedonia and the Law on Expropriation (Official Gazette 95/12, 131/12, 24/13, and 27/14), foreign ownership is exempt from expropriation except during instances of war or natural disaster, or for reasons of public interest. Public interest, as defined by this law, includes the spatial arrangement, rational usage, and humanization of public areas, protection of the environment and nature by building objects and doing works of significance to the state and local governments, stipulated by the spatial planning acts. The law also lists in detail specific activities considered to be of public interest.

Under the Law on Expropriation, the state is obliged to pay market value for any property expropriated. If the payment is not made within 15 days of the expropriation, interest will be paid.

In 2002, under the Law on Denationalization, (http://unpan1.un.org/intradoc/groups/public/documents/UNTC/UNPAN015919.pdf), the government pursued an ambitious plan to return or provide compensation for nationalized property. In 2007, the government revived the project by extending the deadline for receiving denationalization claims to the end of 2007. Claimants filed a total of 30,744 claims, of which less than 1,000 remain unresolved. Most of the unresolved cases have been transferred to the courts for adjudication. Compensation has included the return of property, compensation with equivalent property, or compensation with government bonds.

4. Dispute Settlement

Legal System, Specialized Courts, Judicial Independence, Judgments of Foreign Courts

The government is working to harmonize domestic regulations with European Union norms by reforming Macedonia's legal system. However, the administration of justice is not always uniform, and the courts are often slow and inefficient and lack adequate resources. They are also subject to political pressure and corruption.

Judges face improper pressure on a regular basis, while the system of appointments for the country's Judicial Council appears to make decisions for political reasons. This trend has become increasingly visible since 2010.

Following the disclosure of wiretaps in 2015 that appeared to implicate high-level officials in wrongdoing, the four largest political parties agreed to establish a Special Prosecutor's Office to investigate possible violations in connection with those recordings.

In July 2015, Macedonia's Parliament, without allowing public comment, introduced obligatory mediation in disputes between companies up to €15,000 in value as a precondition for going to court. Companies complain the measure, which went into effect February 1, 2016, imposes additional costs.

Bankruptcy

Macedonia's 2006 Bankruptcy Law governs the settlement of creditors' claims against insolvent debtors. Amendments in 2011 further streamlined the process. Bankruptcy proceedings may be initiated over the property of a debtor, be it a legal entity, an individual, a deceased person, joint property of spouses or business unions. Bankruptcy proceedings may not be implemented over a public legal entity or property owned by the Republic of Macedonia.

In the World Bank's Doing Business Report for 2015 Macedonia ranks 37th out of 189 countries on the Resolving Solvency indicator.**Investment Disputes**

With the 1995 enactment of the Law on Courts, the judicial body evolved into a three-tiered court system: the Basic Courts (or Courts of the First Instance), the Appellate Courts, and the Supreme Courts. As of 2007, an Administrative Court was established to try administrative law cases, and in 2011 a Higher Administrative Court was also established to try appeals against administrative court rulings. These courts handle legal processes in providing resolution to business disputes and help improve the business environment.

International Arbitration

International arbitration is recognized and accepted under the Law on International Commercial Arbitration. The government accepts international arbitration on investment disputes and has registered over 40 internationally accredited arbiters. The Permanent Court of Arbitration was established in 1993 within the Economic Chamber of Macedonia (a non-government business association). It has the authority to administer both domestic and international disputes. However, it has never been utilized.

ICSID Convention and New York Convention

Macedonia has either signed on to, or has inherited by means of succession from the former Yugoslavia, a number of bilateral and multilateral conventions on arbitration including the Convention Establishing the Multilateral Investment Guarantee Agency (MIGA); the Recognition and Enforcement of Foreign Arbitral Awards (1958 New York Convention); the Geneva Protocol on Arbitration Clauses from 1923; and the Geneva Convention on Enforcement of Foreign Arbitration Decisions. Macedonia is also a member state to the International Centre for Settlement of Investment Disputes (ICSID Convention), and the European Convention on International Commercial Arbitration.

Duration of Dispute Resolution – Local Courts

Administrative Court proceedings often fail to respect judicial precedent, requiring businesses to appeal, thus delaying justice considerably. A Constitutional Court adjudicates constitutional issues. In an effort to provide better resolution of business disputes and to improve the business environment, the Law on Mediation was adopted in 2006, and amended several times since in an effort to foster out-of-court case resolution. This legislation provides for the training, testing, and certification of experts in different fields to act as mediators administered by the Ministry of Justice. An attempt to introduce mediation in pilot courts through U.S.-funded technical assistance produced only modest results, largely due to the lack of public awareness and the reluctance of legal practitioners to utilize this option.

5. Performance Requirements and Investment Incentives

WTO/TRIMS

In a bid to attract foreign investment, particularly to the country's designated TIDZ, the government has enacted a number of incentives for foreign investors and continues to conduct road shows and advertising campaigns.

Foreign investors are not required to purchase from local sources or to export all of their production. There are also no requirements for the government to be a partner in an enterprise. Commercial agreements determine which entity retains control over investment revenue. There are no requirements for reducing foreign equity over time or for technology transfer.

Macedonia has been a member of the WTO since April 4, 2003, and it adheres to the Trade-Related Investment Measures (TRIMs) Agreement.

Investment Incentives

Both the Law on Customs and the Law on Profit Taxes offer incentives to foreign investors. Foreign investors are eligible for profit tax exemptions for profits generated during the first three years of operation in proportion to the amount of foreign investment; all profits reinvested in the company; profits invested in environmental protection; and profits invested in "underdeveloped" regions of the country. Companies with at least 20 percent foreign capital are exempt from customs duties for the first three years after their registration. In public campaigns, the government highlights the following additional benefits: a 10 percent flat tax for corporate profits and personal income; guaranteed relief from local taxes and fees; a tax exemption for duties on imported goods, raw materials, and equipment/machines. Symbolic land lease rate and direct state aid in the amount of up to EURO 500,000 (approx. USD 556,000) are additional incentives provided to foreign investors.*Research and Development*

The government in Macedonia does not restrict or ban foreign companies from participating in government financed research and development programs. Research and development public expenditures in Macedonia are aimed toward supporting creative work undertaken to increase knowledge in humanity, culture and society, and stimulate use of knowledge for developing new applications.

Performance Requirements

The Law on Residency of Foreign Citizens sets requirements for both working and resident visas. There are some non-discriminatory limitations on obtaining a visa. A foreign citizen working in Macedonia can be issued a multiple entry visa. An employer should apply to the Employment Bureau to obtain a work permit for any foreign employees working in Macedonia on a temporary or permanent basis. Many international businesses report, however, that the process of obtaining visas and work permits can be frustratingly slow. In December 2012, Macedonia's government adopted a decision to offer citizenship to anyone who invests USD 500,000 or more and employs at least 10 people.

There is no discriminatory export or import policy affecting foreign investors. Almost 96 percent of total foreign trade (export/import) is unrestricted. Current tariffs and other customs-related information are published on the Customs website, http://www.customs.gov.mk/en/DesktopDefault.aspx.

Data Storage

The government does not impose a forced localization policy for data; foreign investors are not required to use domestic content in goods or technology. Post is not aware of any requirements for foreign IT providers to turn over source code and/or provide access to surveillance (e.g., backdoors into hardware and software or turn over keys for encryption).

6. Protection of Property Rights

Real Property

While the legal basis for the protection of ownership of both movable and real property exists, implementation remains incomplete. Highly centralized control of government owned "construction land," the lack of coordinated local and regional zoning plans, and the lack of an efficient construction permitting system continued to impede business and investments. Additionally, investors' potential utilization of land is inhibited by the large number of lingering property ownership disputes. Over the past few years, however, there have been significant improvements to the cadaster system which have helped to increase the security and speed of real-estate transactions.

The World Bank's Doing Business Report, ranks Macedonia 50 out of 189 for ease of registering property.

Intellectual Property Rights

The government continues to sporadically seize and destroy counterfeit items and has taken some legal action against those who produce and sell counterfeit goods. Nevertheless, overall enforcement remains weak and counterfeit goods remain common in shops and markets throughout Macedonia. As an EU candidate country, Macedonia is obliged to harmonize its IPR laws and regulations with EU standards and to demonstrate adequate enforcement of those laws. The government's Secretariat for European Affairs is responsible for coordinating this effort.

Intellectual Property Rights are protected under the Law on Industrial Property from 2009 (amended in 2013), the Law for Authors' and Common Rights (adopted in 2010), and the Law on Customs Measures for the Protection of IPR (enacted in 2006 and amended in 2011). The State Institute for Industrial Property governs patents, trademarks, service marks, designs, models, and samples. The protection of authors' rights and other related rights (music, film and television, books, software, etc.) is administered by the Ministry of Culture. The State Market Inspectorate is responsible for monitoring markets and preventing the sale of counterfeited or pirated goods; however, it lacks resources, and roughly 70 percent of its inspections are to enforce non-smoking legislation and closing times. The Ministry of Interior is responsible for IPR-related crimes committed on the Internet. Although the attention and resources relevant authorities apply to IPR enforcement is rather limited, companies which proactively seek protection of their brands in Macedonia are generally satisfied with institutional responsiveness.

Under the Law on Customs Measures for the Protection of IPR, the Customs Administration has enhanced authority to investigate cases of counterfeit goods. It has the right to seize suspect goods to prevent their distribution pending confirmation from the rights holder of the authenticity of the goods. The rights holders are responsible for covering costs for storage and destruction of the seized counterfeited goods, except for a yearly activity of the Coordinative Body for Intellectual Property for World IPR Day. There are no cumulative statistics on seizures of counterfeit goods.

The penalties for IPR infringement depend on the seriousness of the violation. In order of severity, the penalties can include: 30 – 60 days closure of businesses, monetary fines of up to EUR 5,000, or a prison sentence of up to five years. IPR cases are not handled by specialized courts, and little is known about the number and outcomes of court cases that have IPR aspects.

Macedonia joined the World Intellectual Property Organization (WIPO) in 1993 and in 1994 became a member of the Permanent Committee of Industrial Property Protection Information of WIPO. As a successor to the former Socialist Federal Republic of Yugoslavia, Macedonia is a party to international conventions and agreements that the former Yugoslavia signed prior to Macedonia's independence.

Macedonia is not listed in the Special 301 report.

There have been allegations of the use of unlicensed or under-licensed software in government agencies in Macedonia. Substantial efforts to ensure government agencies only purchase and use licensed software have not led to any meaningful progress on the matter. For additional information about treaty obligations and points of contact at local IP offices, please see WIPO's country profiles at http://www.wipo.int/directory/en/.

Resources for Rights Holders

- Mrs. Veronica Scarborough
- Deputy Political and Economic Chief
- U.S. Embassy - Skopje
- 1000 Skopje, Macedonia
- Office: +389 2 310 2362
- Fax: +389 2 310 2499
- Mob: +389 72 321 138
- E-mail: scarboroughvj@state.gov

- American Chamber of Commerce in Macedonia
- Mrs. Michelle Osmanli, Executive Director
- Ivo Lola Ribar 59A-1/15
- 1000 Skopje, Macedonia
- Tel: +389 2 321 6714
- http://amcham.com.mk/

- Embassy of the United States
- List of Attorneys:
- http://macedonia.usembassy.gov/attorney.html

7. Transparency of the Regulatory System

There are no laws, policies, or legal regulations that formally impede foreign investment in Macedonia. Unfortunately, excessive bureaucratic 'red tape' still poses difficulties in all spheres of government administration and provides opportunities for corruption and delays. Reports of inefficient, politicized, and corrupt practices are common, and the government does not have a track record of investigating and punishing corrupt government officials. Members of the business community frequently complain of opaque processes and unclear division of responsibilities within and between bureaucracies. In its determination to become an EU member, Macedonia has harmonized most of its legislation with the EU. Implementation remains weak, however, and there are examples of laws contradicting one another.

Since 2006, the government has produced extensive legislative reform through a "regulatory guillotine" process, which, according to government, eliminated over 50 percent of all administrative procedures. However, businesses still complain of lengthy and overly complicated procedures.

In 2006, the government introduced ENER (unique national electronic register of regulations) to facilitate public comment on proposed legislation. However, most draft laws are not posted in ENER for public comment, but instead are passed in Parliament in an expedited procedure without a comment period. Even when it is respected, the minimum period of 10 calendar days for public comment is simply too short to allow for thoughtful and constructive responses from company representatives. Businesses also report that the feedback they submitted to ENER was not posted online and that ministries did not respond to their comments. In addition to a rapidly changing legislative and regulatory environment where companies are rarely involved in the policy-making process, companies working in Macedonia face a great degree of regulatory confusion caused by: the lack of Regulatory Impact Assessments (RIA) that consider impacts on the private sector as well as sufficient time for companies to adjust to new legislation; the lack of official, consolidated texts of all laws in force; passage of laws that conflict with measures in existing legislation; and the lack of official information published by enforcement institutions on how laws are to be applied in specific cases. In 2014 the government created the Inspections Council, an independent body responsible directly to the government, which encompasses 14 different inspectorates. The Inspections Council’s goal is to harmonize procedures for inspection surveillance between inspectorates which originally functioned under various ministries and to regulate and control functioning of the inspectorates as whole and individual inspectors. However, two years after it was founded, it has yet to achieve its goal of relaxing the burden of multiple inspections within a short period of time at the same company. There are still allegations that the government uses inspections punitively against political opponents and critics.

In the World Bank's, 2015 Doing Business report, Macedonia ranked 12 out of 189, easiest countries in which to do business, a notch up from last year’s 30th place. Although the same report has complimented Macedonia’s efforts to reform business legislation, new reforms often are not fully implemented due to a lack of administrative capacity and political will. Additionally, the reforms are often not comprehensive, and their effect has been underwhelming for the business and investment environment as a whole.

8. Efficient Capital Markets and Portfolio Investment

Macedonia's securities markets are modest in turnover and capitalization. The establishment of the Macedonian Stock Exchange (MSE) in 1995 made it possible to regulate portfolio investments. After reaching its peak in August 2007, the MSE index steadily dropped until 2013, reflecting the effects of the global economic crisis. After a slight pickup in 2014, market capitalization in 2015 dropped by 2.4 percent to USD 1.8 billion. The main index, MBI10, dropped by 0.6 percent over the year, closing at 1,833 points at the end of 2015. Foreign portfolio investors accounted for an averaged 18.8 percent of total MSE turnover, 6.9 percentage points less than in 2014.

Macedonia’s Securities and Exchange Commission (SEC) licenses all MSE members for trading in securities and regulates the market. MSE has two market segments: the Official Market and the Regular Market. Companies listed on the Official Market must publicly disclose any price sensitive information related to their operation on a regular basis. The Regular Market has two sub-segments: a market for publicly held companies that includes companies that have special reporting requirements for the SEC and a "free market" that includes all other companies that provide a minimal disclosure of records. In 2015, the total number of listed companies remained unchanged from the previous year at 115, while total turnover dropped by a significant 69.4 percent. Most of the trading activity takes place on the Official Market, where better-standing companies are listed and there are greater transparency requirements.

Individuals generally trade at the MSE as individuals, rather than through investment funds, which have been present since 2007. Government paper is present on the stock exchange in the form of denationalization bonds and a few special purpose bonds. In January 2004, the government started issuing treasury bills. In 2009, it started issuing T-bills with a foreign exchange clause. These are very attractive to domestic banks. A fully convertible current account places no restrictions on portfolio investments, but short-term capital inflows are still relatively low even by regional standards. Full liberalization of the capital account has yet to be implemented.

Last year, the MSE together with the stock exchanges of Croatia and Bulgaria established a regional platform, called SEE Link, for trading securities of companies listed at all three stock exchanges. In February 2016, the stock exchanges of Slovenia and Serbia joined that platform, increasing the number of listed companies to 387. The SEE Link platform is expected to become operational in spring of 2016.

Money and Banking System, Hostile Takeovers

There are no legal barriers to the free flow of financial resources and portfolio investments. Financial resources are almost entirely managed through Macedonia's banking system, consisting of 15 banks. It is a highly concentrated system, with the three largest banks controlling over 60 percent of banking sector total assets, while there are ten banks with individual shares in total assets of less than five percent. In 2015, foreign capital was present in 14 of Macedonia's 15 banks, and was dominant in 11 banks. According to the National Bank of the Republic of Macedonia (NBRM), foreign investors' share in total banking assets at the end of the third quarter of 2015 (latest available data) was 68.8 percent, which is 1.9 percentage points higher than in 2014. Most banks experienced a moderate increase in non-performing loans (NPL), resulting in a slight increase of the overall NPL ratio to 11.7 percent at the end of the third quarter of 2015, which is a 0.4 percentage points higher than in 2014. Profits at the end of the third quarter of 2015 (latest available data) reached USD 66.3 million, which was 54.2 percent higher than a year ago. Also, the two most important profitability indicators, ROA (Return on Assets) and ROE (Return on Equity) reached 1.29 percent and 11.1 percent, respectively, which is an increase of 0.3 and 3.5 percentage points, respectively. Supervisory monitoring by the NBRM has continuously strengthened, enhancing depositors' confidence. Banks' liquid assets at the end of the third quarter of 2015 were 31.7 percent of total assets, dropping by 1.6 percentage points compared to the same period of 2014. The stress tests conducted by the NBRM in 2015 showed that the banking sector is resilient to significant deposit withdrawals, liquidity shocks, increased credit risk, sharp deterioration in the quality of loans, or other hypothetical shocks. The capital adequacy ratio of the entire banking sector remained strong at 16.1 percent, well above the recommended 12 percent minimum. The intermediation rate (measured as total assets/GDP) in 2015 was 72.6 percent and is considered very low even by regional standards. Credit is available on the local market and is allocated at market terms. The growth of credit to the private sector in 2015 was 9.5 percent, mainly due to higher credit growth to households (12.9 percent) than to enterprises (7.1 percent). The NBRM encouraged credit growth by adopting several measures, but kept the reference rate (the interest rate on Central Bank bills) at 3.25 percent throughout 2015. Despite this, banks were still rather cautious in extending larger loans. The weighted average lending rate of the banking system in 2015 was 6.8 percent, while the deposit rate was 2.2 percent. Domestic companies secure financing primarily from their own cash flow and from bank loans, due to the lack of corporate bonds and other securities as credit instruments. Because of the scarcity of other private financing, credit demand is high, affecting interest rates. The leasing market is still underdeveloped but is starting to become more competitive.

Savings houses' share in the total assets of the banking system was a mere 0.7 percent in 2015. A 2013 law enabled savings houses to transform themselves into financial companies, defined as non-deposit taking institutions under supervision of the Ministry of Finance. Reporting requirements for financial companies are less burdensome than those for savings houses. Four of the existing seven savings houses transformed themselves into financial companies. The remaining three still operate under the provisions of the Banking Law, as there is no separate law that governs these institutions.

Takeovers of shareholding companies are regulated in the Law on Takeover of Shareholding companies, adopted in 2013 (http://www.finance.gov.mk/files/u11/zakon_prezemanje_ad_januari_2014.pdf), replacing a 2007 law. This law describes takeover procedures, including penalties for irregular takeovers. There has never been a hostile takeover of a shareholding company or bank in Macedonia.

9. Competition from State-Owned Enterprises

There are State Owned Enterprises (SOEs) operating in several sectors including energy, banking, water supply, communal utilities, and public transportation. There are also industries such as arms production and narcotics in which private enterprises may not operate without government approval. There are about 15 enterprises, mostly public utilities, with the central government in dominant ownership , while local governments (81 in total) also own local public utility enterprises. There is no published list or one register of all SOEs in the country. All SOEs are subject to the same tax burden and tax rebate policies as private sector competitors. SOEs are allowed to purchase or supply goods or services from private sector/foreign firms and are not afforded material advantages such as preferential access to land and raw materials.

Macedonia has an observer status in the Government Procurement Agreement (GPA) within the framework of the World Trade Organization since 2013. Macedonia is willing to become a full-fledged party to the GPA.

OECD Guidelines on Corporate Governance of SOEs

SOEs in Macedonia do not adhere to the Organization for Economic Cooperation and Development (OECD) Guidelines on Corporate Governance for SOEs. Macedonia's constitution establishes the same terms of competition for both private and public enterprises with respect to access to markets, credit, and other business operations. Although the law does not give SOEs favorable positions or material advantages, Macedonia's judicial system is subject to political pressure. SOE general managers are usually appointed by the government. Members of SOE boards of directors are usually comprised of both internal and external members and they usually are political appointees appointed by the government. SOE general managers routinely report to a government minister. Third party market analysts take into consideration the SOEs' close ties to the government.

Sovereign Wealth Funds

Macedonia does not have a sovereign wealth fund.

10. Responsible Business Conduct

Although activities to promote corporate social responsibility have created some degree of awareness and capacity, corporate social responsibility (CSR) remains an unclear and nascent concept. It is often perceived as a concept pertaining only to large and very profitable companies. Donations and community engagement programs are the most common CSR programs.

The American Chamber of Commerce in Macedonia has organized business forums with an aim to help integrate corporate social responsibility into business practices and to make businesses more responsible to all stakeholders in the community.

Macedonia’s National Coordinating Body on Corporate Social Responsibility (http://www.cbcsr.mk) organizes the annual national CSR awards.

11. Political Violence

Aside from isolated incidents, politically-charged events have not regularly sparked violence. However, political and ethnic tensions remain and are often aggravated by political rhetoric, especially during elections. Macedonia’s authorities have worked to improve their ability to provide security, in an effort to remain on track for EU and NATO integration. The international community continues to encourage Macedonia to enact reforms and adopt EU best practices in rule of law and media freedom. A contributor to peacekeeping efforts in Afghanistan and elsewhere, Macedonia is dedicated to remaining a provider of international security and stability.

12. Corruption

Although Macedonia’s legal framework is sound, enforcement is weak and the public is skeptical of the government's willingness to prosecute corrupt officials. The public generally views the police, courts, higher education, and healthcare sectors as the most corrupt public sectors. Instances of selective prosecution have compounded public mistrust of government institutions. Investors and businesspeople have reported being solicited for bribes, particularly when participating in public procurements and government projects. The State Commission for Prevention of Corruption (SCPC) established in 2002, is responsible for implementation, regulating measures for corruption prevention, and conflicts of interest and public interest activities by certain state authorities (http://www.dksk.org.mk/en/). However, the Commission is passive, is not respected, and very few cases that are brought before the Commission proceed to the Public Prosecutor's Office for further investigation. In 2014, SCPC received 158 cases of alleged corruption, out of which it forwarded just seven to the Public Prosecutor's Office, but there were no indictments or convictions. Transparency International ranked Macedonia 66th out of 175 countries on the 2015 Corruption Perception Index. The government has reduced some opportunities for corruption by adopting "E-government" systems for managing international cargo transport licenses, issuing export/import licenses, and managing public procurement. The Customs Agency has improved services through internal reforms and the adoption of electronic customs clearance solutions. The simplified and automated processes enable businesses to monitor the status of their applications in these areas. Such systems are an improvement when used and correctly implemented.

The Law on Criminal Procedure criminalizes bribery and abuse of official position. Other anti-corruption laws include the Law on Money Laundering Prevention and the Law on Corruption Prevention, which provide for penalties including prison and confiscation of illegally-obtained property.

UN Anticorruption Convention, OECD Convention on Combatting Bribery

Macedonia ratified the United Nations Convention against Corruption in early 2007, and has ratified the UN Convention against Transnational Organized Crime.

Macedonia has signed the Organization for Economic Cooperation and Development's (OECD) Convention on Combating Bribery.

Resources to Report Corruption

- State Commission for Prevention of Corruption
- Ms. Antonija Andonova, Public Relations
- Dame Gruev 1
- 1000 Skopje, Macedonia
- Tel: +389 2 321 5377

- E-mail: dksk@dksk.org.mk

- Public Prosecution Office for Fighting Organized Crime and Corruption
- Mr. Jovan Ilievski, Chief
- Boulevard Krste Misirkov BB, Sudska Palata
- 1000 Skopje, Macedonia
- Tel: +389 2 321 9884
- E-mail: jilievski@zjorm.org.mk

- Transparency International – Macedonia
- Ms. Slagjana Taseva, President
- Naum Naumovski Borce 58
- P.O. Box 270
- 1000 Skopje, Macedonia
- Tel: +389 2 321 7000
- E-mail: info@transparency.mk

13. Bilateral Investment Agreements

Macedonia has concluded an Agreement for Promotion and Protection of Foreign Direct Investments with the following countries: Albania, Austria, Bosnia and Herzegovina, Bulgaria, Belarus, Belgium, Luxembourg, Germany, Egypt, Iran, Italy, India, Spain, Serbia, Montenegro, China, North Korea, Malaysia, Poland, Romania, Russia, Slovenia, Turkey, Ukraine, Hungary, Finland, France, the Netherlands, Croatia, the Czech Republic, Switzerland, Sweden, Taiwan, and Slovakia.

Macedonia is a signatory of three multilateral Free Trade Agreements:

- The Stabilization and Association Agreement (SAA) with the EU member-states, giving Macedonia duty-free access to 650 million consumers;
- The European Free Trade Agreement (EFTA) with Switzerland, Norway, Iceland, and Liechtenstein; and
- The Central European Free Trade Agreement (CEFTA) with Albania, Moldova, Croatia, Serbia, Montenegro, Bosnia and Herzegovina, and Kosovo.

Bilateral Free Trade Agreements are in force with Turkey and Ukraine.

Bilateral Taxation Treaties

Macedonia does not have a bilateral investment or double taxation treaty with the United States.

14. OPIC and Other Investment Insurance Programs

Financing and insurance for exports, investment, and development projects are made possible through agencies such as the U.S. Trade and Development Agency (TDA); the U.S. Export-

Import Bank (EX-IM); the Overseas Private Investment Corporation (OPIC); the European Bank for Reconstruction and Development (EBRD); the International Bank for Reconstruction and Development (World Bank); the International Finance Corporation (IFC); the Multilateral Investment Guarantee Agency (MIGA); and the Southeast Europe Equity Fund (SEEF). Most of the funding for major projects is achieved through co-financing agreements, especially in the transportation, telecommunications, and energy infrastructure development fields.

OPIC and MIGA are the country's chief investment insurance providers. OPIC insurance and project financing have been available to investors in Macedonia since 1996. OPIC's three main activities are risk insurance, project finance, and investment funding. MIGA provides investment guarantees against certain non-commercial risks (i.e., political risk insurance) to eligible foreign investors who make qualified investments in developing member countries. MIGA also offers coverage against the risks of currency transfer restrictions, expropriation, breach of contract, and war or civil disturbance.

Although its primary focus is export assistance - including direct loans and capital guarantees aimed at the export of non-military items - EX-IM also provides insurance policies to protect against both political and commercial risks. TDA, SEEF, the World Bank, and the EBRD focus more directly on financing agreements.

15. Labor

Relations between employees and employers are generally regulated by individual employment contracts pursuant to Section II, Articles 13-21 of the Labor Relations Law. The LaborRelations Law is a general act that regulates all forms of employment, relations between employees and employers, retirement, lay-offs, and union operations. Severance and unemployment insurance are covered by the Law on Employment and Insurance in cases of unemployment. Most labor related laws are in line with international labor standards, and within recommendations of the International Labor Organization (ILO). Labor laws apply to both domestic and foreign investments, and employees in both segments are equally protected.

Employment of foreign citizens is regulated by the Law on Foreigners. The employment contract, which must be in writing and kept on the premises, should address the following provisions: description of the employee's duties, duration of contract (finite or indefinite), effective and termination dates, location of work place, hours of work, rest and vacation periods, qualifications and training, and salary and pay schedule.

The law is relatively flexible with regard to working hours. Normal working hours for an employee are eight hours per day, five days per week. According to regulations, an employee is entitled to a minimum of 20 working days and a maximum of 26 working days of paid annual leave during the course of a calendar year. Work permits are required for foreign nationals. There is, however, no limitation on the number of employed foreign nationals or the duration of their stay. As noted previously, many international businesses report that the process of obtaining visas and work permits can be challenging.

Despite an official unemployment rate of 24.6 percent, businesses sometimes report difficulties in filling positions, especially those requiring special skills, due to a disconnect between industry needs, the educational system, and graduates' aspirations. There are also reports of political parties influencing hiring decisions in the private sector.

Temporary employments that are regulated under the Labor Relations Law are often used by employers in seasonal work and time-sensitive contracts. The government has programs to support engagement of temporary workers, including relaxing administrative employment procedures, and approving tax breaks for employers.

Trade unions are interest-based, legally autonomous labor organizations. Membership is voluntary, and activities are financed by membership dues. About 20 to 25 percent of legally employed workers are dues-paying union members. However, largely as a result of Macedonia's high unemployment, the difficult economic climate, and political infighting, unions generally do not exercise much leverage, and many are considered to be under government influence.

There are two main associations of trade unions - The Union of Trade Unions and the Confederation of Free Trade Unions. Each association is comprised of independent branch unions from the public and private business sectors. Both associations, along with the representatives of the Organization of Employers of Macedonia and representatives from relevant ministries, are members of the Economic Social Council. The Council meets regularly to discuss issues of concern for both employers and employees and reviews amendments to labor related laws.

An out-of-court mechanism for labor dispute resolution was introduced in 2015, with assistance from the ILO, financed by the EU.

With the Law on Minimum Wage from 2011, amended in 2014, the government, employers' associations, and trade union associations agreed on a minimum net wage of 10,080 MKD (USD 183) per month for 2016. The minimum wage for the textile and leather industry, employing mostly women, is set at 9,000 MKD (USD 166).

There are two main agreements for the public and private sectors on the national level. National collective bargaining agreements in the private sector are negotiated between representative labor unions and representative employer associations. The national collective bargaining agreement for the public sector is negotiated between the Ministry of Labor and Social Welfare and labor unions. Separate contracts are negotiated by union branches or at the industry or company level. Key challenges faced by unions include high levels of unemployment, wage levels, application of international labor standards, unionization of workers in the free economic zones, and the effects of privatization on inefficient state companies.

16. Foreign Trade Zones/Free Ports/Trade Facilitation

There are four major designated free trade zones, known as TIDZs, in Macedonia: Skopje 1 (Bunardzik), Skopje 2 (an area north-east of Skopje), an area in the city of Stip, and an area in the city of Tetovo. In addition, there are eleven other smaller TIDZs. Only three of the major zones contain operating companies; the smaller zones are in various stages of development, with some just receiving their first investing companies. Amended legislation (http://www.fez.gov.mk/tir-zones-law.html) permits and regulates these zones. The Directorate for Technological Industrial Development Zones (http://www.fez.gov.mk) develops and establishes the TIDZs and supervises activities within 14 of them. The TIDZ in Tetovo is a public private partnership and is in the process of implementing its first investment project, by U.S. automotive supplier Lear Corporation.

In 2007, Johnson Controls began producing automotive electronic equipment in the Bunardzik TIDZ. In 2014, Visteon Corporation, another American global automotive parts supply company, took over that factory. Johnson Controls operates an automotive upholstery plant in the Stip TIDZ, and is opening a second plant near Strumica. Another U.S.-based company, Kemet Electronics Corporation, which produces capacitors, invested in a production facility at the Bunardzik TIDZ. Other foreign investors present at the Bunardzik TIDZ include U.K. company Johnson Matthey, which produces catalytic converters for automobiles; TeknoHose, an Italian firm that produces high-pressure hydraulic fittings; and Protek Group, a Russian pharmaceutical company. Cap-Con's ARC Automotive opened a factory for airbag inflators in December 2015 in the same TIDZ. Van Hool, a Belgium manufacturer of buses, built a production facility at TIDZ Skopje 2. In March 2016, Key Safety Systems commenced production of automotive airbag cushions at a greenfield investment in the Kichevo TIDZ.

17. Foreign Direct Investment and Foreign Portfolio Investment Statistics

Table 2: Key Macroeconomic Data, U.S. FDI in Host Country/Economy

	Host Country Statistical source*		**USG or international statistical source**		**USG or International Source of Data: BEA; IMF; Eurostat; UNCTAD, Other**
Economic Data	**Year**	**Amount**	**Year**	**Amount**	
Host Country Gross Domestic Product (GDP) ($M USD)	2015	10,093	2014	11,320	www.worldbank.org/en/country
Foreign Direct Investment	**Host Country Statistical source***		**USG or international statistical source**		**USG or international Source of data: BEA; IMF; Eurostat; UNCTAD, Other**

U.S. FDI in partner country ($M USD, stock positions)	2015	6.1	2012	$4	BEA data available 3/23/16 at http://bea.gov/international/direct_investment_multinational_companies_comprehensive_data.htm
Host country's FDI in the United States ($M USD, stock positions)	2015	0.0	2014	-1.0	BEA data available 3/23/16 at http://bea.gov/international/direct_investment_multinational_companies_comprehensive_data.htm
Total inbound stock of FDI as % host GDP	2015	1.8	2015	3.1	IMF

Table 3: Sources and Destination of FDI

The results from the International Monetary Fund (IMF) on inward direct investment presented in Table 3 differ from the data provided by the National Bank of the Republic of Macedonia (NBRM) due to different means of determining the country of origin of investments. In particular, the IMF tends to credit investment to countries that investment directly comes from, whereas the NBRM often credits investment to a third country, if that is where the bank determined the investment originated. For example, for tax reasons, much investment in Macedonia passes through the Netherlands. The IMF lists the Netherlands as the largest investor in Macedonia, whereas the NBRM recognizes the Netherlands only as the fifth largest source of FDI in Macedonia with USD 396 million (7.8 percent of total). According to the NBRM, as of end-2015 the largest source of inward FDI is Austria with USD 672 million (13.3 percent of total investments), followed by Slovenia with USD 519 million (10.2 percent), Germany with USD 480 million (9.5 percent), and Greece with USD 406 million (8.0 percent).

Direct Investment from/in Counterpart Economy Data					
From Top Five Sources/To Top Five Destinations *(US Dollars, Millions)*					
Inward Direct Investment			Outward Direct Investment		
Total Inward	4,893	100%	Total Outward	147	100%
Netherlands	1,058	22%	Serbia	73	50%
Austria	628	13%	Netherlands	22	15%
Greece	522	11%	Bosnia and Herzegovina	14	10%
Slovenia	471	10%	Russian Federation	10	7%
Hungary	276	6%	Slovenia	6	4%
"0" reflects amounts rounded to +/- USD 500,000.					

Table 4: Sources of Portfolio Investment

Portfolio investment data is not available for Macedonia.

18. Cotact for More Information

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